

**THE NEIGHBOURHOOD GROUP COMMUNITY SERVICES
FINANCIAL STATEMENTS
FOR THE YEAR ENDED
MARCH 31, 2019**

THE NEIGHBOURHOOD GROUP COMMUNITY SERVICES
Financial Statements
March 31, 2019

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INDEPENDENT AUDITOR'S REPORT

To the Directors of The Neighbourhood Group Community Services

Qualified Opinion

We have audited the financial statements of the Neighbourhood Group Community Services, which comprise the statement of financial position as at March 31, 2019, and the statements of operations and changes in net assets and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of the organization as at March 31, 2019, and its results of operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organization.

Basis for Qualified Opinion

In common with many charitable organizations, The Neighbourhood Group Community Services derives revenue from donations and fundraising activities the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our verification of these revenues was limited to the amounts recorded in the records of The Neighbourhood Group Community Services and we were not able to determine whether any adjustments might be necessary to donation and fundraising revenue, excess of revenues over expenditures, and cash flows from operations for the year ended March 31, 2019, current assets and net assets as at March 31, 2019.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the organization in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian accounting standards for not-for-profit organization, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the organization's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the organization or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the organization's financial reporting process.

INDEPENDENT AUDITOR'S REPORT, continued

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- ♦ Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- ♦ Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the organization's internal control.
- ♦ Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- ♦ Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the organization's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the organization to cease to continue as a going concern.
- ♦ Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Akler Browning LLP

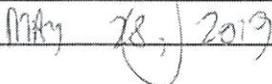
Chartered Professional Accountants
Licensed Public Accountants
Toronto, Canada
May 28, 2019

THE NEIGHBOURHOOD GROUP COMMUNITY SERVICES
Statement of Financial Position
March 31, 2019

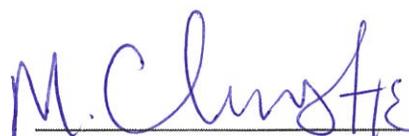
	2019	2018
Assets		
Current		
Cash and cash equivalents	\$ 2,360,086	\$ 1,716,979
Marketable securities (note 2)	871,798	834,704
Accounts receivable (note 9)	916,442	822,287
Grants receivable	137,321	70,145
HST rebate receivable	83,630	138,743
Prepays	200,123	158,142
Restricted investments (note 2)	401,348	401,914
Total Current	4,970,748	4,142,914
Restricted investments - Day Care expansion (note 2)	12,016	12,016
Property and equipment (note 3)	280,710	320,469
Total Assets	\$ 5,263,474	\$ 4,475,399
Liabilities		
Current		
Accounts payable and accrued liabilities (note 9)	\$ 2,543,880	\$ 1,317,431
Deferred contributions (note 4)	829,896	1,339,800
Total Current	3,373,776	2,657,231
Funds held in trust - Day Care expansion	12,016	12,016
Deferred capital contributions (note 5)	222,134	201,292
Total Liabilities	3,607,926	2,870,539
Fund Balance		
Net assets	1,655,548	1,604,860
Total Liabilities and Fund Balance	\$ 5,263,474	\$ 4,475,399

Approved on behalf of the Board:



Director


Date



Director

THE NEIGHBOURHOOD GROUP COMMUNITY SERVICES
Statement of Operations and Changes in Net Assets
Year ended March 31, 2019

	2019	2018
Revenues		
Fees		
Toronto Central Community Care Access Centre	\$ 4,821,047	\$ 4,892,141
City of Toronto	1,400,380	1,264,282
Fees from users	1,178,861	1,137,735
Grants		
Province of Ontario	10,537,326	9,674,164
City of Toronto	1,645,380	1,286,842
United Way Support	1,141,004	1,123,971
Government of Canada	572,987	207,456
Other		
Other agencies	373,377	267,769
East Toronto Youth Centre	193,863	124,800
Donations and fundraising events	155,438	231,610
Administration and support rent	109,526	109,870
Elderly person centre	82,599	89,409
Amortization of deferred capital funding	58,337	60,459
Foundations (note 9)	51,181	267,372
Investment	49,890	33,575
Total revenues	22,371,196	20,771,455
Expenditures		
Wages	15,298,006	14,402,877
Benefits	3,235,437	2,976,603
Program expenses	1,817,474	1,373,441
Occupancy costs	709,222	698,251
Travel	413,001	412,913
Purchased services	312,620	338,629
Office and general	296,190	256,163
Amortization	95,813	78,654
Promotion and publicity	57,260	47,682
Training and development	55,541	38,467
Volunteer expenses	15,064	20,721
Fundraising	7,740	92,484
Dues	7,140	14,794
Total expenditures	22,320,508	20,751,679
Excess of revenues over expenditures for the year	50,688	19,776
Net assets, beginning of year	1,604,860	1,585,084
Net assets, end of year	\$ 1,655,548	\$ 1,604,860

THE NEIGHBOURHOOD GROUP COMMUNITY SERVICES

Statement of Cash Flows

Year ended March 31, 2019

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Excess of revenues over expenditures for the year	\$ 50,688	\$ 19,776
Adjustments for non-cash items		
Amortization	95,813	78,654
Amortization of deferred capital contributions	(58,337)	(60,459)
	88,164	37,971
Net change in non-cash working capital items		
Accounts receivable	(94,155)	(65,479)
Grants receivable	(67,176)	130,767
HST rebate receivable	55,113	(79,688)
Prepays	(41,981)	(10,465)
Due to/from Central Neighbourhood House Trust	-	25,390
Accounts payable and accrued liabilities	1,226,448	630,239
Deferred contributions	(509,904)	809,390
	568,345	1,440,154
Cash Provided by Operating Activities	656,509	1,478,125
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(56,054)	(243,495)
Purchase of investments net of disposals	(36,528)	(145,580)
Cash Used in Investing Activities	(92,582)	(389,075)
CASH FLOWS FROM FINANCING ACTIVITIES		
Receipt of capital contributions	79,180	158,892
Cash Provided by Financing Activities	79,180	158,892
Net increase in cash and cash equivalents	643,107	1,247,942
Cash and cash equivalents, beginning of year	1,716,979	469,037
Cash and cash equivalents, end of year	\$ 2,360,086	\$ 1,716,979

THE NEIGHBOURHOOD GROUP COMMUNITY SERVICES

Notes to the Financial Statements

March 31, 2019

NATURE OF OPERATIONS

On July 1, 2014, the Central Neighbourhood House Association and the Neighbourhood Link Support Services, previously independent organizations, began operating as one organization known as The Neighbourhood Group Community Services. Articles of Amalgamation were subsequently approved by the Ministry of Government Services on October 14, 2014.

The organization operates as a non-profit corporation without share capital with the objective of providing community support services. The organization is a registered charity and as such, is exempt from income taxation under Section 149(1)(f) of the Canadian Income Tax Act.

1. SIGNIFICANT ACCOUNTING POLICIES

These financial statements are prepared in accordance with Canadian accounting standards for not-for-profit organizations. The significant accounting policies are detailed as follows:

(a) Cash and cash equivalents

Bank balances, including bank overdrafts with balances that fluctuate from positive to overdrawn, are presented under cash and cash equivalents. Cash equivalents include highly liquid investments that are readily convertible to known amounts of cash and that are subject to an insignificant risk of changes in value. An investment normally qualifies as a cash equivalent when it has a short maturity of approximately three months or less from the date of acquisition.

(b) Property and equipment

Property and equipment are accounted for at cost and amortized over their estimated useful life using the following methods and rates or duration:

Equipment	20% Declining balance
Computer equipment	30% Declining balance
Leasehold improvements	5 years Straight-line
Vehicles	30% Declining balance

(c) Impairment of long-lived assets

Property and equipment subject to amortization are tested for recoverability whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. An impairment loss is recognized when the carrying amount of the asset exceeds the sum of the undiscounted cash flows resulting from its use and eventual disposition. The impairment loss is measured as the amount by which the carrying amount of the long-lived asset exceeds its fair value.

(d) Day Care expansion investments

The funds received from the closing of the Victoria Day Care for the expansion of the organization's Day Care program are being held in trust. The funds have been invested and are shown as a long-term asset with a corresponding long-term liability for the expansion. As the funds are expended, the asset and liability are reduced and the expended funds are shown as revenue and expenses in the accompanying statement of operations.

THE NEIGHBOURHOOD GROUP COMMUNITY SERVICES

Notes to the Financial Statements

March 31, 2019

1. SIGNIFICANT ACCOUNTING POLICIES, continued

(e) Funds held in trust

The organization receives funds which it holds in trust to be disbursed in accordance with the terms of the underlying trust arrangement. In addition, the organization acts as administrator of funds for projects undertaken jointly with other agencies. The unexpended balances of such funds are shown as an asset and liability in the balance sheet.

(f) Deferred capital contributions

The organization received funding for the purpose of acquiring property and equipment. The contributions are recognized as revenue on the same basis as those used to amortize the property and equipment. The unamortized portion of the contributions is shown on the statement of financial position as deferred capital contributions.

(g) Revenue recognition

The organization follows the deferral method of accounting for contributions, in which restricted contributions related to expenditures of future periods are deferred and recognized as revenue in the period in which the related expenditures are incurred. Unrestricted contributions are recognized as revenue when received or receivable when the amount to be received can be reasonably estimated and collection is reasonably assured.

User fees, investment income and other revenues are recognized on the accrual basis.

(h) Contributed materials and services

The organization would not be able to carry out its activities without the services of the many volunteers who donate a considerable number of hours. Due to the difficulty of compiling these hours, contributed services are not recognized in the financial statements. The fair market value of donated property and equipment is recognized as donation revenue in the year the property and equipment are donated, if the fair market value can be reasonably estimated.

(i) Use of estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and the reported amounts of revenues and expenditures for the periods covered. The main estimates relate to the estimated useful lives of the property and equipment and the impairment of financial assets.

THE NEIGHBOURHOOD GROUP COMMUNITY SERVICES

Notes to the Financial Statements

March 31, 2019

1. SIGNIFICANT ACCOUNTING POLICIES, continued

(j) Financial instruments

Measurement of financial instruments

The organization initially measures its financial assets and liabilities at fair value, except for certain related party transactions that are measured at the carrying amount or exchange amount, as appropriate.

The organization subsequently measures all its financial assets and financial liabilities at amortized cost, except for investments in equity instruments that are quoted in an active market, which are measured at fair value. Changes in fair value are recognized in excess of revenues over expenditures in the period incurred.

Financial assets measured at amortized cost include cash and cash equivalents, guaranteed investment certificate, accounts receivable, grants receivable and HST rebate receivable.

Financial liabilities measured at amortized cost include accounts payable and accrued liabilities.

Financial assets measured at fair value include investments in index pooled funds.

Impairment

For financial assets measured at amortized cost, the organization determines whether there are indications of possible impairment. When there is an indication of impairment, and the organization determines that a significant adverse change has occurred during the period in the expected timing or amount of future cash flows, a write-down is recognized in excess of revenues over expenditures. A previously recognized impairment loss may be reversed to the extent of the improvement. The carrying amount of the financial asset may not be greater than the amount that would have been reported at the date of the reversal had the impairment not been recognized previously. The amount of the reversal is recognized in net excess of revenues over expenditures.

(k) Allocated expenses

The organization engages in various programs and services. The costs of each program includes the cost of personnel and other expenditures that are directly related to providing the services. The organization also incurs other expenditures that are common to the management and operations of the organization and each of its programs.

The organization allocates certain of its administration expenditures, wages and benefits, professional fees, legal fees, insurance, occupancy costs, telephone and advertising by identifying the appropriate basis of allocating each component expenditure, and applies the basis consistently each year according to contracts with the Federal, Provincial and Municipal governments.

THE NEIGHBOURHOOD GROUP COMMUNITY SERVICES

Notes to the Financial Statements

March 31, 2019

2. INVESTMENTS

	2019	2018
Measured at amortized cost		
Guaranteed investment certificate	\$ 406,786	\$ 407,288
Measured at fair value		
Indexed pooled funds:		
Canadian fixed income	423,064	383,690
Canadian equities	334,343	373,540
Foreign equities	120,969	84,116
	\$ 1,285,162	\$ 1,248,634

Consists of:

	2019	2018
Current		
Marketable securities	\$ 871,799	\$ 834,704
Restricted investments	401,347	401,914
Long-term		
Restricted investments - Day Care expansion	12,016	12,016
	\$ 1,285,162	\$ 1,248,634

3. PROPERTY AND EQUIPMENT

	2019		2018	
	Cost	Accumulated amortization	Net	Net
Equipment	\$ 388,478	\$ 243,411	\$ 145,067	\$ 181,334
Computer equipment	254,107	164,964	89,143	49,527
Leasehold improvements	445,690	409,945	35,745	71,029
Vehicles	82,220	71,466	10,754	18,578
Building	1	-	1	1
	\$ 1,170,496	\$ 889,786	\$ 280,710	\$ 320,469

The building is located at 349 Ontario Street, Toronto, Ontario, and was received from Central Neighbourhood House Trust at the carrying amount of the property, being \$1.

THE NEIGHBOURHOOD GROUP COMMUNITY SERVICES

Notes to the Financial Statements

March 31, 2019

4. DEFERRED CONTRIBUTIONS

	2019	2018
Other programs	\$ 284,178	\$ 294,132
Stroke Survivor	225,000	225,000
Province of Ontario	122,637	505,441
City of Toronto	77,987	222,986
Refugee support	62,502	82,651
Government of Canada	57,592	9,590
	\$ 829,896	\$ 1,339,800

5. DEFERRED CAPITAL CONTRIBUTIONS

	2019	2018
Balance, beginning of year	\$ 201,292	\$ 102,858
Amortization of deferred contributions	(58,337)	(60,459)
Capital contributions received	79,179	158,893
	\$ 222,134	\$ 201,292

6. CREDIT FACILITIES

A revolving line of credit to a maximum of \$400,000 is available to the organization. The line of credit bears interest at the bank's prime lending rate, is due on demand and is secured by a general security agreement covering all assets of the organization. As at March 31, 2019, the credit balance amounted to \$Nil.

7. CONTRACTUAL OBLIGATION

The organization's total obligation, under property lease agreements, exclusive of occupancy costs, is as follows:

2020	\$ 301,699
2021	301,699
2022	301,699
2023	273,448
2024	273,448
Subsequent years	820,344
	\$ 2,272,337

THE NEIGHBOURHOOD GROUP COMMUNITY SERVICES

Notes to the Financial Statements

March 31, 2019

7. CONTRACTUAL OBLIGATION, continued

During each year of the lease of the premises at 3036 Danforth Ave, Toronto, the rental rate will be negotiated based on the market rent for like premises in the local geographic area and shall not exceed the previous year's increase in the Statistics Canada Consumer Price Index for Ontario. This lease expires on March 31, 2027.

The lease of the premises at 143A Stephenson Ave., Toronto, requires the payment of additional rent, not reflected in the minimum commitment as described above, calculated as the total monthly RGI and market rents collected from the sublettor tenants. This lease expired on May 1, 2018 and was renewed on a month to month basis.

The lease at 688 Coxwell Ave., Toronto expires on March 31, 2022.

8. TORONTO CHILDREN'S SERVICES WAGE SUBSIDIES

	General Operating Grant	Provincial Wage Enhancement
Deferred from prior years	\$ -	\$ -
Received in this fiscal year	320,898	45,944
Wage grants expensed in this year according to the guidelines	(320,898)	(43,811)
Wage subsidies returned to Children's Services this fiscal year	-	(2,133)
	\$ -	\$ -

Pay Equity 1999-2005 is embedded in the General Operating Grant.

9. ORGANIZATIONS UNDER SIGNIFICANT INFLUENCE

The organization exercises significant influence over The Neighbourhood Group Foundation and Neighbourhood Link Homes by sharing management and administrative resources. Transactions with The Neighbourhood Group Foundation and Neighbourhood Link Homes are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the parties.

The Neighbourhood Group Foundation was incorporated with a general object to undertake charitable work within Canada. The Neighbourhood Group Foundation is a registered charity under the Income Tax Act. Included in foundation revenues is \$NIL (2018 - \$198,469) received from The Neighbourhood Group Foundation. Included in accounts receivable is \$214,888 (2018 - \$226,290).

Neighbourhood Link Homes, was incorporated with the object to deal in residential property to provide adequate living accommodation for elderly persons, to provide social and recreational facilities for elderly persons and to promote understanding and undertake problems of the elderly. Neighbourhood Link Homes is a registered charity under the Income Tax Act. Included in accounts receivable is \$155,268 (2018 - \$217,987) owing from Neighbourhood Link Homes.

THE NEIGHBOURHOOD GROUP COMMUNITY SERVICES

Notes to the Financial Statements

March 31, 2019

10. FINANCIAL INSTRUMENTS

Transactions in financial instruments may result in an entity assuming or transferring to another party one or more of the financial risks described below. The required disclosures provide information that assists users of financial statements in assessing the extent of risk related to financial instruments.

(a) Credit risk

Credit risk is the risk that one party to a financial transaction will cause a financial loss for the other party by failing to discharge an obligation. The organization's main credit risk relates to accounts and grants receivable. The organization assesses, on a continuous basis, amounts receivable on the basis of amounts it is virtually certain to receive.

(b) Liquidity risk

Liquidity risk is the risk that the organization will encounter difficulty in meeting obligations associated with financial liabilities. The organization is exposed to this risk mainly in respect to its trade accounts payable and accrued liabilities. The organization expects to meet these obligations as they come due by generating sufficient cash flow from operations combined with the receipt of monthly subsidies from its funders.

(c) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk. The organization is mainly exposed to interest rate risk and other price risk.

(i) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fixed rate instruments subject the organization to a fair value risk while the floating rate instruments subject the organization to cash flow risk. The organization is exposed to this type of risk as a result of its variable rate credit facility and investments in bonds, marketable securities and guarantee investment certificates. The exposure to these risks also fluctuates as the debts and investments change from year to year.

(ii) Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The organization is exposed to other price risk through its investments in marketable securities for which the value fluctuates with the quoted market price.

11. COMPARATIVE FIGURES

The financial statements have been reclassified, where applicable, to conform to the presentation used in the current year. The changes do not affect prior year earnings.
